



MAVERICK ENERGY



# INDIANA BOND BANK FUEL BUDGETING PROGRAM



# Fuel Budgeting Program

- The Fuel Budgeting Program is a tool for local units of government to protect their budgets from volatility in fuel prices
- The Program allows smaller entities to pool their fuel budgeting needs with similar entities to create an effective hedge size (42,000 gallon threshold)
- To ensure cost efficiency, entities share program costs
- Entities receive the experience and expertise of the IBB Staff and Professionals
- The Indiana Bond Bank Posts Collateral



# How the Fuel Budgeting Program Works

- The Qualified Entity (QE) continues to purchase fuel from its local provider
  - *Cannot be a "fixed price" contract*
- QE completes the short application
- QE adopts legal paperwork
- QE determines how much of its consumption to hedge
  - *Maximum hedge is 80% of QE's annual consumption*



# How the Fuel Budgeting Program Works

- Collar
  - Floor & Ceiling
- Fuel Pricing dependent upon NYMEX (NEW YORK MERCANTILE EXCHANGE)
- Administrative Fee
  - 2016 Program - 3.2 cents per gallon



# Example of Monthly Settlement

**INDIANA BOND BANK**  
**Fuel Budgeting Program**  
**Example--Gasoline (RBOB)**

Assumed Floor (1):	\$2.52	\$2.52	\$2.52
Assumed Cap (2):	\$3.00	\$3.00	\$3.00
Assumed NYMEX Price/gal	\$2.49	\$2.80	\$3.18

	<i>Example 1</i>	<i>Example 2</i>	<i>Example 3</i>
	<i>Price As Compared to Hedge</i>		
	<i>Lower</i>	<i>Within</i>	<i>Higher</i>
Monthly Consumption--gallons (As in entity application)	3,000	3,000	3,000
Percentage Hedged (Determined by entity; max 80%)	65.00%	65.00%	65.00%
Monthly Hedge--Gallons	1,950	1,950	1,950
NYMEX Daily Average Price	\$2.49	\$2.80	\$3.18
NYMEX vs. Floor/Cap	(\$0.03)	\$ -	\$0.18
Monthly Hedge--Gallons	1,950	1,950	1,950
Distribution (Payment)	\$ (58.50)	-	\$ 351.00
Monthly Admin Fee (3) (Assumed \$.037/gallon hedged)	\$ (72.00)	\$ (72.00)	\$ (72.00)
Total Participant Cash Flow	\$ (130.50)	\$ (72.00)	\$ 279.00



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# Questions?

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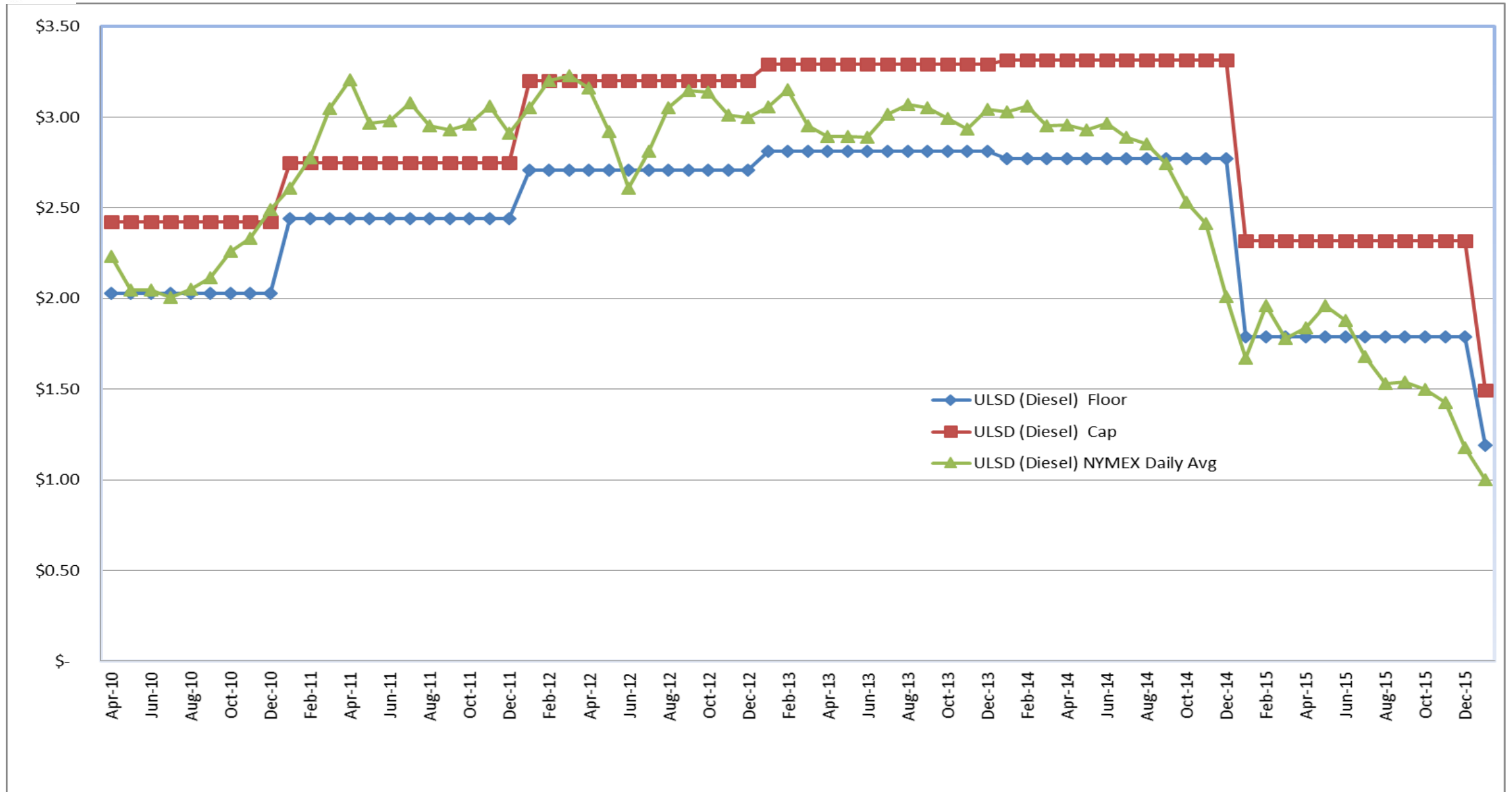
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# Diesel (ULSD) Graph





# Gasoline (RBOB) Graph

